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13 May 1958

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CENTRAL INTELLIGENCE BULLETIN



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I. THE COMMUNIST BLOC

Khrushchev's 6 May speech on Soviet chemical industry is his most positive statement to date claiming Soviet economic superiority over US.

Polish-Hungarian communiqué avoids mention of Soviet dispute with Belgrade.

II. ASIA-AFRICA

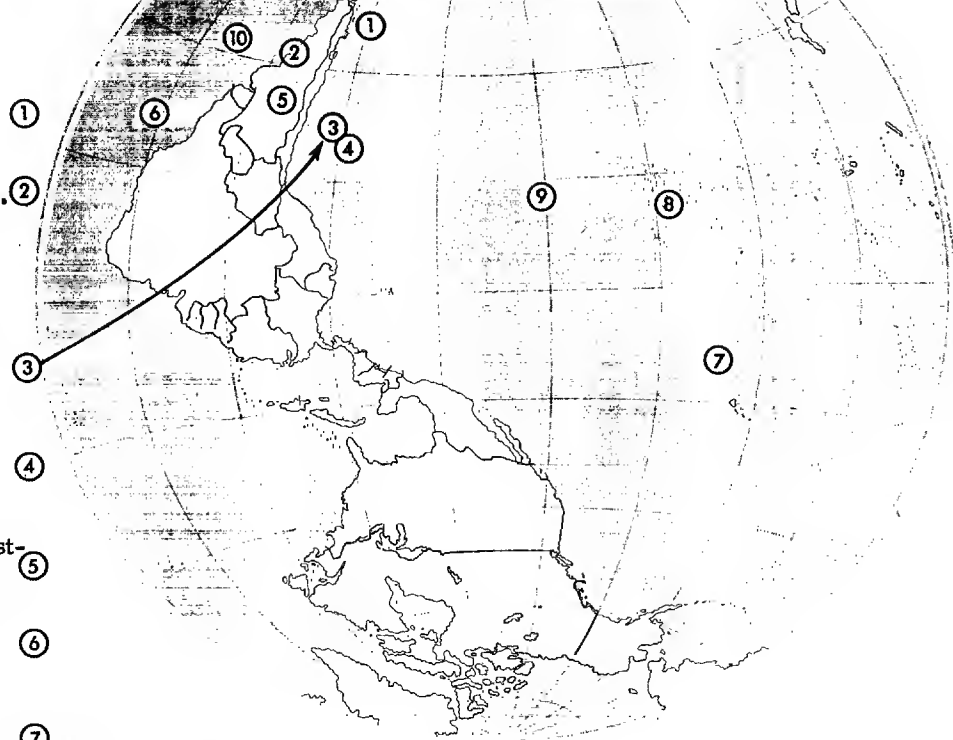
Lebanon - Disorders continue, with growing indications of UAR support for President Chamoun's opponents.

Husayn of Jordan and Faysal of Iraq scheduled to meet shortly to set up framework of Arab Union government.

Greece - Karamanlis should be able to form one-party government; Communist-front party shows gains.

New Moroccan cabinet reflects Istiqlal party's political dominance.

Indonesia - Mass demonstrations planned on Java to protest foreign intervention.



⑧ Communist and leftist gains in Laotian elections portend further inroads, taking advantage of conservative disunity.

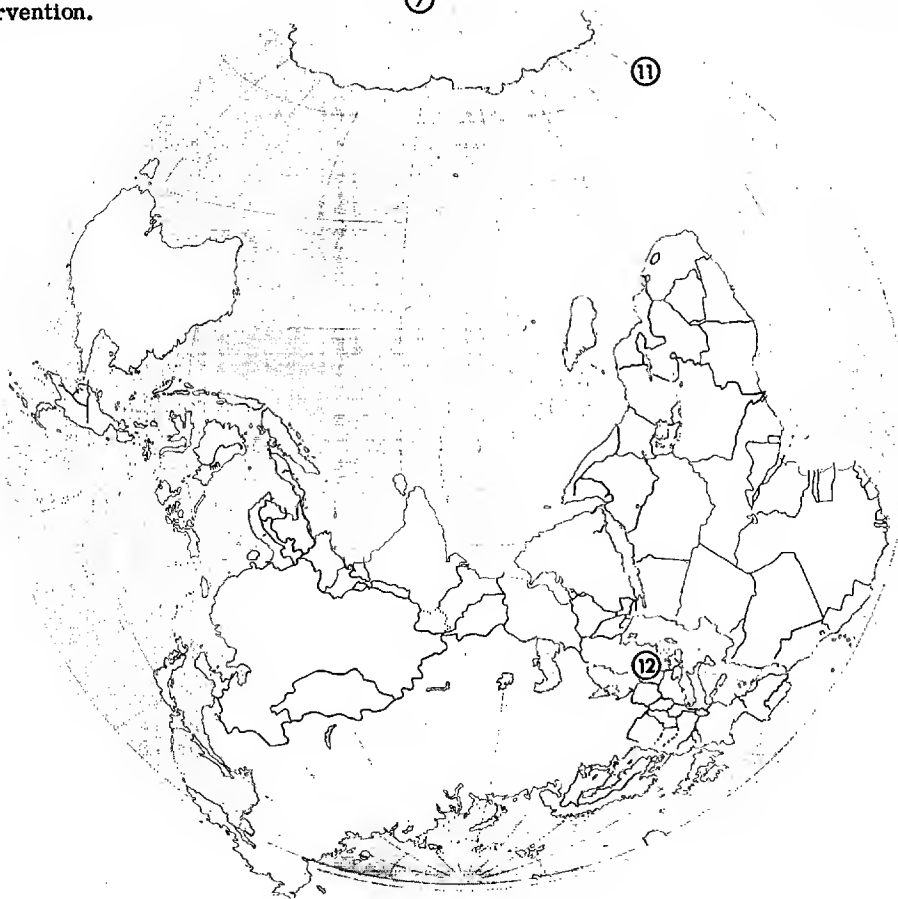
⑨ India - Forced resignation of two state governments may be start of Congress party house cleaning.

III. THE WEST

⑩ France - Politicians' willingness to risk long crisis increases chances of a De Gaulle solution or Communist support for leftist premier.

⑪ Iceland may shortly announce unilateral extension of territorial limits to 12 miles.

⑫ Leftist trend in Chile furthered by congressional action to make Communist party legal.



CENTRAL INTELLIGENCE BULLETIN

13 May 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

yes

Soviet economic planning: Khrushchev's lengthy speech on the expansion of the chemical industry delivered to the Soviet party central committee on 6 May is his most positive and detailed claim to date that the superiority of the Soviet economic system now has been demonstrated. The speech, containing extensive comparisons of current US and Soviet economic data, will be a basic document for Soviet propagandists. Khrushchev asserts that the successful establishment of the Soviet heavy industrial base will--in the shortly-to-be-announced Seven-Year Plan (1959-1965)--begin to compensate the Soviet consumer for his 40 years of self-sacrifice. Khrushchev is now beating the drums for chemical synthetics in textile production with the same enthusiasm that marked his support of the virgin lands and corn programs.

yes

Poland-Hungary: The joint Polish-Hungarian declaration signed in Budapest--unlike the Polish-Bulgarian communiqué in Sofia--emphasizes "complete agreement on all questions discussed," and the omission of any reference to Yugoslavia reflects the desire of both parties to remain uninvolved in the bloc dispute with Belgrade. The communiqué shows clear signs of an attempt to shore up the position of Kadar and the centrist faction in the badly divided Hungarian party.

II. ASIA-AFRICA

no Lebanon: Army troops are patrolling the larger cities, but sporadic disorders and acts of sabotage are likely to continue. In the countryside, especially in areas near the Syrian border, the presence of armed Syrian tribesmen suggests that the UAR authorities may have revived the idea of a tribal revolt, originally planned for April. Acts of sabotage, such as the damaging of an oil pipeline from Syria to northern Lebanon, may well have been the work of UAR or Communist agents. The political impact of the disorders on President Chamoun's re-election plans is not yet clear. Moderate opposition elements are urging that Chamoun postpone his plans and install a "national" cabinet. The attitude of army chief Shihab, whom opposition leaders are urging as a stopgap prime minister, is likely to be decisive. [redacted]

no Iraq-Jordan: King Husayn of Jordan and King Faysal of Iraq are expected to meet in Baghdad very soon to determine the composition of the Arab Union government and parliament. The meeting follows ratification of the Arab Union constitution by the Iraqi Parliament on 10 May, which completed the legal measures required to set up the new government. Unless the Arab Union begins to display more dynamism than it has thus far, it is unlikely to be effective in blocking Nasir's growing influence among the Arabs. [redacted]

yes Greece: Karamanlis will be able to form a one-party, pro-Western, right-center government, although his National Radical Union has failed to receive as large a percentage of the vote in the 11 May election as it did in the elections of 1956. The strong showing made by the Communist-front United Democratic Left is probably due more to a large protest vote against the policies of the major non-Communist parties than to any substantial increase in hard-core Communist strength in Greece. [redacted]

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no Morocco: A new Moroccan cabinet headed by moderate pro-Western Istiqlal leader Ahmed Balafrej was invested on 12 May, ending a four-week-long government crisis. The new cabinet contains nine members of Istiqlal and one independent, and represents a compromise between the party, which had demanded an all-Istiqlal government, and the King, who desired to maintain some non-Istiqlal representation. [REDACTED]

no *Indonesia: Mass demonstrations, apparently Communist-instigated, against foreign intervention in the Indonesian fighting are scheduled for 16 May in Djakarta and 20 May in Surabaya. Protests will be directed specifically against the United States, Nationalist China, and SEATO. [REDACTED]

yes Laos: Partial election returns indicate victories for Communists and their allies in as many as 14 of the races for 21 seats at stake in the supplementary assembly elections. Unless conservative elements cooperate more closely than they have in the past, Communist and leftist forces stand a good chance of exploiting their present gains for an even more significant victory in the 1959 national elections. Lacking such cooperation, conservative influence in the assembly apparently has been reduced to the point where the present administration may have difficulty forming an effective government. [REDACTED]

yes India: Orders from New Delhi which forced the resignation on 8 and 9 May of the Congress-dominated state governments of Mysore and Orissa indicate that the Congress party may have begun intensive house cleaning. Top party leaders apparently lost patience with the members in Orissa, whose wavering loyalty had endangered the Congress party government's already precarious working majority in the state assembly. In Mysore, where the opposition is weak, New Delhi probably hopes to end continuous intraparty bickering. New Delhi's sense of urgency is probably heightened by the

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possibility that the Congress party will not be able to capture a seat from the Communists in a critical by-election in Kerala State on 16 May. [REDACTED]

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III. THE WEST

no

France: European extremists in Algiers have called for a general strike and mass demonstrations against Pflimlin, who will seek National Assembly endorsement on 13 May. Some party leaders in the center and on the right are believed willing to "risk a long crisis" in the belief that it would force the Socialists to reverse their policy of not participating in the next government. Prolongation of the crisis, however, would probably bring about a stepped-up campaign for the return of De Gaulle, and would raise the possibility that, in the interim, a leftist candidate such as Mitterrand might receive Communist support for a "liberal" Algerian policy. [REDACTED]

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yes

Iceland: The government intends shortly to announce a unilateral extension of its territorial waters to the 12-mile limit. The US ambassador to NATO believes it will be difficult to persuade Iceland to delay an announcement beyond 14 May in the absence of any new proposals. Failure of the recent Geneva conference on territorial waters to agree on the 12-mile limit issue aroused almost unanimous indignation in Iceland and occasioned threats that the US armed forces at Keflavik would be asked to leave. The presently projected move would antagonize a number of Western European countries with important fishing interests, particularly Britain. [REDACTED]

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yes

Chile: Congress's final approval of an act legalizing the Communist party, though still subject to possible presidential veto, will further strengthen the recent leftist trend in Chile. This trend will probably be encouraged by anti-US sentiment growing out of the copper question and Chile's feeling of

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neglect over loans. It will particularly benefit the prospects of the Communist-supported Socialist candidate, Salvador Allende, in next September's presidential election. He has recently proposed heavy increases in the tax burden on the US-owned copper companies.

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I. THE COMMUNIST BLOC

Khrushchev's Challenge to the West

Khrushchev's lengthy speech on 6 May to the Soviet party central committee on the future expansion of the chemical industry will be a basic document in the Soviet propaganda campaign against the West. The speech expands and again renews his challenge to the West, especially the United States, to economic competition in order to demonstrate the superiority of one system over the other. This is the most positive and optimistic statement to date of the Soviet propaganda theme that the present economic situation in the United States clearly demonstrates the superiority of the Soviet system.

Soviet achievements to date are alleged to be the direct results of the "heroic self-sacrifice" by the knowledgeable "Soviet man" in order to establish the heavy industrial base which now has grown to sufficient size to allow a "better life for the working people." This will be achieved by "considerably greater" production of consumer goods. Khrushchev stated, "When the Soviet Union reaches the American production level and leaves the capitalist world behind, then we shall say, 'our socialist country... assures for all working people the highest standard of living.'"

Khrushchev said the armaments industries of the bloc will manufacture some of the equipment required for the major expansion of the Soviet chemical industry. This will be possible, he said, because the reduction in the troop strength of the "socialist countries" left their armaments plants with idle capacity. American, West German, and British industries were also offered the opportunity to contribute to supplying equipment for a 25-billion-dollar expansion of the Soviet chemical industry. Western technical personnel qualified in chemical synthesis were offered employment in the Soviet Union, and Western governments were told that these offers could lead to a partial resolution of their economic difficulties.

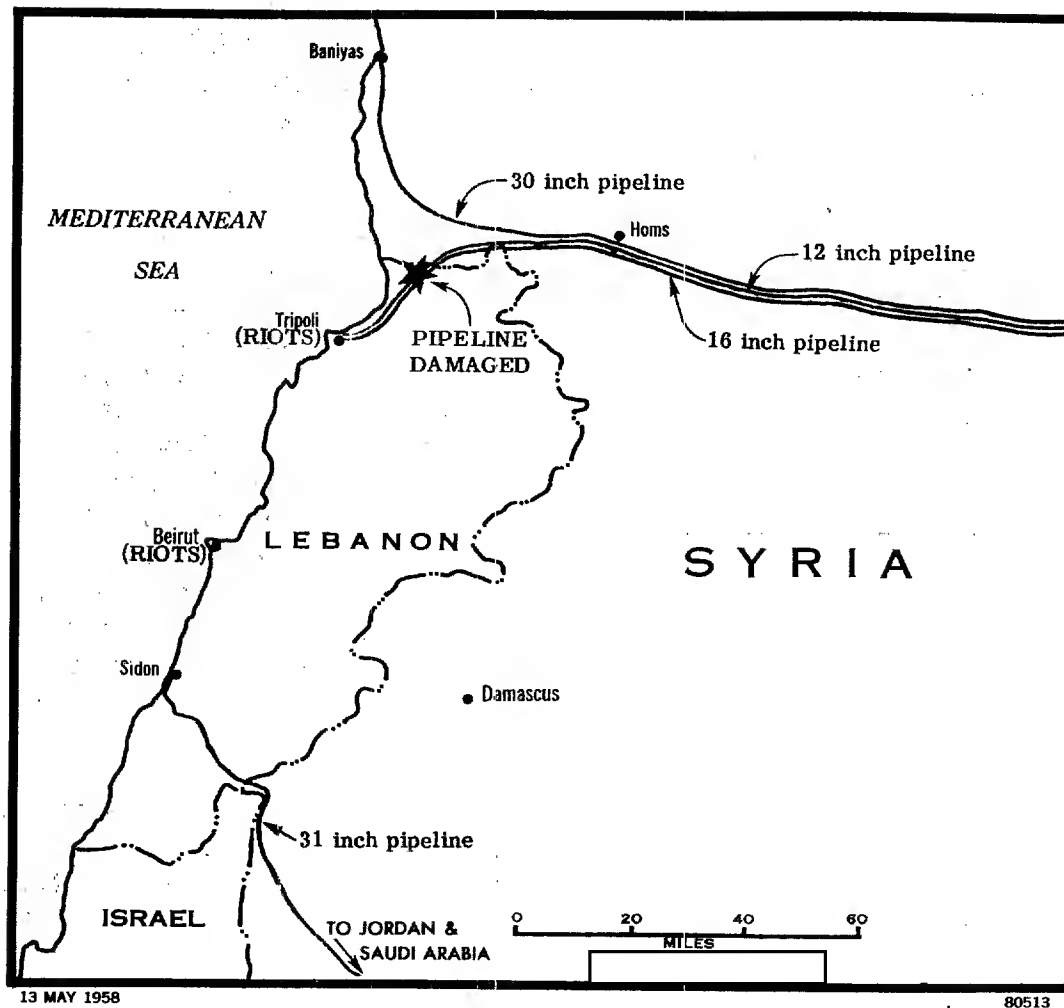
Gomulka-Kadar Rapprochement

Omission of any reference to Yugoslavia in the joint Polish-Hungarian communiqué issued on 11 May in Budapest reflects attempts by both countries to remain uninvolved in the Yugoslav-Soviet dispute. Although both Gomulka and Kadar will avoid taking a public position on this issue as long as possible, they may eventually succumb to Kremlin pressure.

Emphasizing "complete agreement on all questions discussed," the communiqué contains several references which are an attempt by Gomulka to shore up Kadar and the centrist faction in the badly divided Hungarian party. While the communiqué called revisionism the chief danger, it condemned dogmatism with almost equal vigor. The failure to mention Gomulka's concepts of sovereignty and noninterference in internal affairs as an essential element of relations among Communist states probably represents a significant concession to Kadar, who was put in power by Soviet intervention in Hungary. The two men also found an acceptable formula on the question of the Hungarian revolution, condemning the counterrevolution yet avoiding reference to aspects which the Poles cannot accept, such as the "treason" of Imre Nagy.

The communiqué expressed the need for the Warsaw Pact and unity in the "socialist" camp, and a desire for closer economic cooperation. It supported the Soviet condemnation of the nuclear armament of West Germany and the refusal to discuss the status of Eastern Europe at the proposed summit conference.

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II. ASIA-AFRICA

Lebanese Situation:

Troops and armored equipment are patrolling Lebanon's two largest cities, Tripoli and Beirut. While security forces appeared in control during the curfew period on 12 May, additional outbreaks of disorder and sabotage in all parts of Lebanon are probable. In northern Lebanon near the Syrian border, progovernment tribes are fighting with 300 Syrian-armed tribesmen. Materiel support given to anti-Chamoun tribes by the Syrian Army suggests that UAR authorities have revived the idea of stirring up a tribal revolt originally scheduled for April. Cairo and Damascus radios have called on the Lebanese people to revolt against the Chamoun government.

The effect of the disorders on President Chamoun's plans for a second term is not clear. Army commander General Shihab has indicated he will reluctantly support Chamoun until his term of office ends in September, but intimates he will not give assistance to the President's second-term aspirations. Chamoun and Foreign Minister Malik have requested that tanks be airlifted to Lebanon and have suggested the possible deployment of a "division of American Marines" if UAR aggression becomes more overt.

Moderate opposition leaders are offering a "middle of the way" solution to the political impasse by having Chamoun postpone his second-term plans and install a "national" cabinet including some of the moderate opposition politicians. The moderate politicians are fearful that the disorders will assume aspects of a Christian-Moslem conflict. The attack on the USIS office in Beirut, after some opposition leaders had told American Ambassador McClintock they deplored the destruction of the USIS library in Tripoli, suggests the Lebanese opposition leaders are not in sole control of the mobs.

Sabotage in Lebanon of the Iraq Petroleum Company pipeline which runs to Tripoli appears to have been the work of UAR saboteurs or Communist agents. The company has ordered tankers to be diverted to Baniyas, Syria. The present

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pipeline system through Syria consists of one 30-, one 16-, and one 12-inch line. The 30-inch line ends at Baniyas, while the other two terminate at Tripoli. Even the temporary loss of approximately 144,000 barrels per day at Tripoli will have serious economic repercussions in Lebanon and Iraq. In the neighborhood of 370,000 barrels per day flow to Baniyas.

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Greek Elections

The unexpectedly heavy vote received by the Communist-front United Democratic Left (EDA) in the Greek national elections on 11 May has overshadowed the absolute victory of the conservative, pro-Western National Radical Union (ERE) of Constantine Karamanlis. While ERE dropped to 42 percent of the popular vote compared to 47 percent in the 1956 elections, it will increase its representation in the new Chamber of Deputies from 164 seats to approximately 175. This will give Karamanlis a substantial working majority in the 300-member parliament as long as he is able to control the many diverse factions within his party.

The complex electoral law, which permitted the ERE to take a sizable majority of the parliamentary seats despite receiving a minority of the popular vote, also works to the advantage of EDA, which gained a large number of "bonus" seats for running second. EDA nosed out the Liberal party, a traditional center party and previously the second largest party in the chamber, and will increase its representation from 17 seats in the old parliament to approximately 75 in the new. The Liberals will decline from 67 seats to about 36, while two minor parties will account for less than 20 in the new parliament.

EDA won about 24 percent of the total vote, apparently picking up a large "protest" vote in addition to the votes of the far left. Discontent among wage earners, who object to the government's wage-freeze policy, and among nationalists, who disagree with Greece's "inferior" role in NATO and the apparent lack of progress toward a "desirable" solution of the Cyprus problem, probably accounted for a significant proportion of EDA's voting strength. The vote probably does not indicate any substantial increase in the number of hard-core Communist adherents in Greece.

The position of EDA as leader of the opposition will tend to polarize Greek politics and may lead to defections from the Liberals and the smaller parties to the two major parties. While EDA will not be able to challenge the final passage of ERE-sponsored legislation in the new parliament, it can be expected to use every means to harass and delay the pro-Western policies of Karamanlis.

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Communist Election Victory in Laos

Returns from the 4 May Laotian election indicate victories for the Communists and their leftist allies in as many as 14 of the races for 20 supplementary seats and one vacancy in the Laotian National Assembly. If final returns bear out the apparent impressive victory, the Communists will be in a position to demand greater immediate representation in the government. There are indications, however, that they intend to avoid overplaying their hand at this stage so as not to crystallize conservative opposition and thereby jeopardize their hopes of achieving full power in next year's general elections.

The election outcome may encourage those deputies who have previously opposed the government to support the Communists, thus enabling them to control about one third of the 59-man assembly. There is the additional danger that some unaffiliated or even conservative members may view the Communist Neo Lao Hak Zat as the "wave of the future" and vote with it.

The incomplete election returns strongly suggest that a unified conservative slate would have won at least a majority of the new seats. The conservatives in any event should still hold the simple majority of seats required to form a government. Even now, by uniting and winning the support of unaffiliated members, they could exclude the Communists from the new government to be formed. Past performances, however, and the momentum of the leftist trend in Laos argue against any interruption of conservative factionalism.

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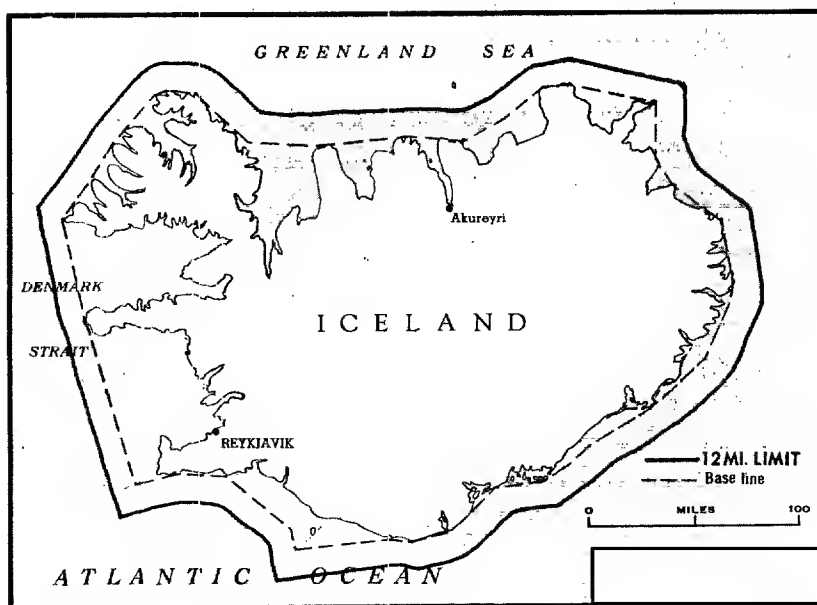
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Two Congress-dominated State Governments in India
Dismissed

New Delhi's action in ordering the resignations of the chief ministers of Mysore and Orissa states reflects top Congress party leaders' loss of patience with the continuous intraparty bickering there and presumably is a warning to the crumbling party organizations elsewhere in India. The high command's sense of urgency was probably heightened by the likelihood that the party will be unable to capture a seat in a by-election in Kerala State on 16 May from the Communists, who are campaigning vigorously.

Since the general elections in March 1957, in which the Congress party in Orissa won only 56 seats in a 140-member assembly, the Congress has ruled that state with the support of one small tribal party, defectors from other parties, and independents. This precarious position recently has been jeopardized by defections and absenteeism. Prime Minister Nehru and party leaders reportedly planned to oust Chief Minister Mahatab in early May, but refrained from doing so when Mahatab insisted that the Congress could command at least a two-man majority. A few days later the party high command ordered the government to resign anyway, probably convinced that a bare mathematical majority was no cure for continuing party ills.

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III. THE WEST

Iceland May Extend Territorial Waters by 14 May

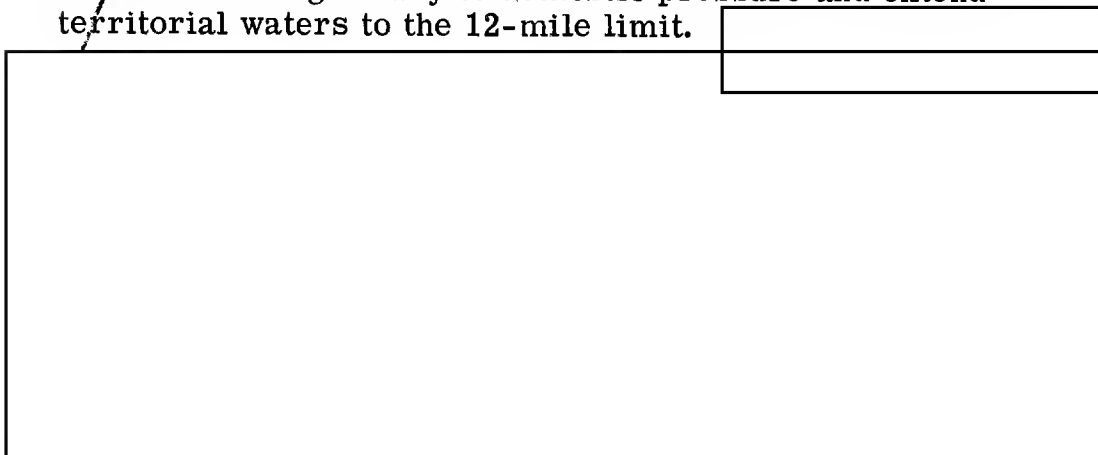
The Icelandic Government intends shortly to announce a unilateral extension of its territorial waters to the 12-mile limit. At the Copenhagen NATO meeting, Icelandic officials were persuaded to wait at least until 14 May to permit private conversations seeking compromise proposals.

This move reflects the almost unanimous indignation of Icelanders over the failure of the recent Geneva Conference on the Law of the Sea to establish a 12-mile limit on territorial waters. Icelandic officials during the conference threatened such measures as the expulsion of American forces from the NATO base at Keflavik.

An extension to the 12-mile limit would antagonize a number of Iceland's NATO allies with important fishing interests, particularly Britain. In 1952, Iceland barred foreign vessels from fishing in a zone which extended four miles seaward from straight base lines drawn from the outermost points of coasts, islands, and rocks and across the openings of bays. As a consequence, Icelandic vessels were stopped from landing fresh fish in Britain until 1956, when the British lifted the ban pending the UN-sponsored Conference on the Law of the Sea. British vessels, however, did not regain access to the restricted waters. A renewal of the dispute at this time would be a further strain on Iceland's loyalty to NATO.

Unilateral Icelandic action would compel the Norwegian Government to give way to domestic pressure and extend territorial waters to the 12-mile limit.

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Chilean Congress Votes Legalization of Communist party

Congressional approval on 7 May of a new internal security act legalizing the Communist party, while still subject to presidential veto, will in any event strengthen the recent leftist trend in Chile by making the party appear more respectable. It will particularly benefit the prospects of the Communist-supported Socialist candidate, Salvador Allende, in next September's presidential election and may mean 26,000 additional votes from formerly disenfranchised party adherents.

Allende has recently proposed heavy increases in the tax burden on the US-owned copper companies and is hoping for support from the recently formed left and center congressional bloc which dominates both houses of Congress. He is not likely, however, to muster sufficient support for his proposed legislation unless he wins the presidency in September. His chances are improved, however, by the leftist trend, which has been furthered by anti-US sentiment growing out of proposed US copper legislation and Chile's feeling that it has not received sufficient loans.

While President Ibanez advocates legalizing the Communist party, he has objected that the legislation passed by Congress does not provide sufficient controls against subversive activities.

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